

Message Text

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PAGE 01 NEW DE 00754 161107Z

21

ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 DODE-00 PM-04 H-02 L-03 PA-01 PRS-01 JUSE-00

FEA-01 INT-05 FTC-01 /096 W
----- 127202

R 151130Z JAN 76

FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 3410
INFO AMCONSUL CALCUTTA
AMCONSUL BOMBAY
AMCONSUL MADRAS

LIMITED OFFICIAL USE NEW DELHI 0754

EO 11652: NA

TAGS: ENRG, IN

SUBJ: GOI BUYOUT OF CALTEX

REF: 75 NEW DELHI 15766

1. KRISHNAMURTHY, CALTEX REPRESENTATIVE IN DELHI,
CALLED ON ECONOMIC COUNSELOR ON JANUARY 14 TO DESCRIBE
CURRENT STATE OF PLAY IN GOI-CALTEX NEGOTIATIONS.
ON JANUARY 2 CALTEX RECEIVED A LETTER FROM THE GOI
WHICH MADE REFERENCE TO THE "OPENING OF NEGOTIATIONS"
DURING 1975 WITH CALTEX. THIS IS A LEGAL FICTION
DESIGNED TO PERMIT THE GOI TO IGNORE CALTEX'S 1975
FINANCIAL POSITION. IN DISCUSSIONS WHICH FOLLOWED,
THE GOI HAS INFORMED CALTEX THAT IT WILL TREAT CALTEX
IDENTICALLY WITH EXXON AND BURMAH-SHELL AND THE YEAR
ENDED DECEMBER 31, 1974 WILL BE CONSIDERED AS THE
BASE FOR NEGOTIATIONS. THE GOI HAS URGED SPEEDY
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PAGE 02 NEW DE 00754 161107Z

CONCLUSION OF THE NEGOTIATIONS AND IN PARTICULAR

SEEKS AGREEMENT PRIOR TO THE END OF THE CURRENT INDIAN FISCAL YEAR, MARCH 31. CALTEX HAS BEEN INFORMED THAT THE GOI WILL MAKE COMPENSATORY ADJUSTMENTS TO OFFSET CALTEX'S LOSSES IN 1974 WHICH RESULTED FROM PRICE CONTROLS APPLIED BY THE GOI. THE NEXT STEP IS FOR A FURTHER MEETING BETWEEN LOCAL CALTEX OFFICIALS AND THE GOI PRIOR TO THE FORMAL INITIATION OF NEGOTIATIONS BETWEEN A TEAM FROM CALTEX NEW YORK AND THE MINISTRY OF PETROLEUM.

2. COMMENT: ON BALANCE, CALTEX APPEARS TO HAVE COME OUT VERY WELL. THE MAJOR ISSUE OF CONCERN TO CALTEX WAS THE HEAVY LOSSES IN 1974/75. IF THESE CAN BE KEPT OUT OF THE NEGOTIATIONS AND IN EFFECT ABSORBED BY THE GOI CONCERN THAT WILL TAKE OVER CALTEX'S ASSETS, THE PROBLEM COMES DOWN TO WHETHER CALTEX WILL ACCEPT THE VALUATION FORM WHICH WAS AGREED TO BY EXXON AND BURMAH-SHELL.
SAXBE

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Margaret P. Grafeld
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